

CALIFORNIA ESSER Program Monitoring FY 2022

Commendations
0

Met Requirements
17

Recommendations
1

Action Required
1

September 21, 2022



U.S. Department of Education
Office of Elementary and Secondary Education
400 Maryland Avenue, SW
Washington, DC 20202

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GENERAL INFORMATION

OVERVIEW OF THE OESE PROJECT-BASED MONITORING

The Office of Elementary and Secondary Education (OESE) established the Elementary and Secondary School Emergency Relief (ESSER) Program monitoring process to conduct oversight of, and provide assistance to, State educational agencies (SEAs) administering ESSER funds.

This ESSER Program Monitoring Report summarizes the findings from the review of the California Department of Education (CDE) that occurred on July 20th, 2022. The review examined the implementation of the ESSER program and subaward allocations funded by the under the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan (ARP).

The report is based on information provided through the review process and other relevant qualitative and quantitative data. The primary goal of this review was to ensure that implementation of the programs is consistent with the fiscal, administrative, and program requirements contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance: 2 Code of Federal Regulations (C.F.R.) Part 200), the Education Department General Administrative Requirements (EDGAR). The review addressed the administration of fiscal and programmatic components through two domains: (1) financial management and cross-cutting requirements and (2) program-specific requirements.

NAVIGATING THE ESSER PROGRAM MONITORING REPORT

This report contains five sections. Section I contains a snapshot of information pertinent to the grant activities for the respective State. Section II is a summary of the State's performance on each indicator reviewed for each covered program. For each indicator, the Department assigns one of four ratings. "Met requirements with commendation" represents high-quality implementation where the grantee is exceeding expectations; "met requirements" indicates that no instances of noncompliance were identified; "met requirements with recommendations" indicates there are quality implementation concerns and some improvements could be made to ensure the grantee continues to meet expectations; and "action required" indicates there are significant compliance or quality concerns that require urgent attention by the SEA and will be revisited until the State has remedied the issue.

Section III identifies those areas where the Department has significant compliance and quality concerns and for which corrective action is required. For those issues, the report outlines the current practice, the nature of noncompliance, and the required action.

Section IV identifies those areas where the Department has quality implementation concerns related to grant administration and fiscal management (i.e., those areas categorized as quality concerns, "met requirements with recommendations"). In these instances, the Department is determining that the State is currently complying with requirements but that improvements could be made to improve the efficiency or effectiveness of operations. Identified issues are grouped according to relevant area and

requirement, with citations provided. For each issue listed, the Department will provide a recommendation for improvement but is not requiring the State to take any further action.

SECTION I**Overview of Visit**

\$

FEDERAL FUNDING

| | |
|------------------------|--------------------------------|
| ESSER I (S425C200016) | \$1,647,306,127 ¹ |
| ESSER II (S425D210016) | \$ 6,709,633,866 ² |
| ARP ESSE (S425U210016) | \$ 15,079,696,097 ³ |

Dates of Review

July 20, 2022

ED Reviewers

Jed Sorokin-Altmann (Management Support Office)
 Artrice Hardin (Management Support Office)
 Shane Morrissey (Management Support Office)
 Kathryn Shaner (State and Grantee Relations)
 Chris Fenton (State and Grantee Relations)
 Christopher Tate (State and Grantee Relations)

**Subrecipients
Participating in the
Desk Review**

Los Angeles Unified School District
 Fresno Unified School District

**Current Grant
Conditions**

| | |
|-------|-------|
| ESSER | None. |
|-------|-------|

| | |
|------|-------|
| EANS | None. |
|------|-------|

¹ <https://oese.ed.gov/files/2020/04/ESSER-Fund-State-Allocations-Table.pdf>

² https://oese.ed.gov/files/2021/01/Final_ESSERII_Methodology_Table_1.5.21.pdf

³ https://oese.ed.gov/files/2021/06/Revised-ARP-ESSER-Methodology-and-Allocation-Table_6.25.21_FINAL.pdf

SECTION II

Summary Status of Fiscal & Program Monitoring Indicators

STATUS KEY



Met requirements with commendation

High quality implementation & compliance



Met requirements

No instances of noncompliance identified



Met requirements with recommendation

Satisfactory compliance with quality concerns



Action required

Significant compliance & quality concerns

FINANCIAL MANAGEMENT & CROSS-CUTTING

| Topic ⁴ | Status |
|--|--------|
| Accounting Systems and Fiscal Controls | ●●●○ |
| Cash Management and Payment Systems | ●●●○ |
| Period of Availability and Carryover | ●●●○ |
| Internal Controls | ●○○○ |
| Audit Requirements | ●●●○ |
| Records and Information Management | ●●●○ |
| Personnel | ●●●○ |
| Procurement | ●●○○ |
| Equipment and Supplies Management | ●●●○ |
| Indirect Costs | ●●●○ |
| Charter School Authorization and Oversight | ●●●○ |

ESSER PROGRAM FISCAL AND PROGRAM REQUIREMENT DOMAINS – COMPREHENSIVE MONITORING

| Topic | Status |
|---|--------|
| A. State Context | ●●●○ |
| B. Budgeting of the State Reserve and Subawards | ●●●○ |
| C. Allocations/Sub-Award Process | ●●●○ |
| D. CARES Act/Transparency Act Reporting | |

⁴ The Department also monitors for “Charter School Authorization and Oversight” but this topic is not applicable in Nebraska because the State does not currently have any charter schools.

| | |
|---------------------------------|---------|
| E. Risk Assessment (LEA) | ● ● ● ○ |
| F. Subrecipient Monitoring | ● ● ● ○ |
| G. Maintenance of Effort (MOE) | ● ● ● ○ |
| H. Maintenance of Equity (MOEq) | ● ● ● ○ |
| I. Equitable Services | ● ● ● ○ |

Action Required

ESSER PROGRAM FISCAL AND PROGRAM REQUIREMENT DOMAINS – COMPREHENSIVE MONITORING

INTERNAL CONTROLS

REQUIREMENT SUMMARY

2 C.F.R. 200.501(b): **Single audit.** A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted..."

2 C.F.R. 200.512(a)(1): The audit must be completed and the data collection form...and reporting package...must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

2 C.F.R. 200.303: An SEA and its LEAs must establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

ISSUE

The State of California's Fiscal Year (FY) 2018, 2019, and 2020 audit reports were not submitted to the Federal Audit Clearinghouse within nine months after the end of the audit period as required by 2 C.F.R. 200.512(a)(1).

California's FY 2018 audit, due on March 30, 2019, was submitted to the Federal Audit Clearinghouse (FAC) on July 19, 2019. California's FY 2019 audit, due on September 30, 2020, was submitted to the FAC on November 2, 2020. California's FY 2020 audit, due on September 30, 2021, was submitted to the FAC on February 28, 2022.

During our monitoring of CDE, CDE stated that its State Auditor is responsible for conducting all Local Educational Agency (LEA) Single Audits, and that there have been issues of timing and coordination with their auditors.

We spoke with staff from the California Department of Finance on August 11, 2022, who informed us that California's Single Audit is conducted by a private auditing company and the California State Auditor's Office (CSAO), with the timing of submission dependent upon completion of the work on the

financial reports. The Department of Finance stated that the COVID pandemic affected business operations and that past audits were impacted by the transition to the FISCAL accounting system in 2018 and 2019.

On August 29, 2022, we spoke with CSAO, who informed us that the FY 2021 audit which is due on September 30, 2022, will also be late and they estimate that it may not be submitted until December 2022. CSAO explained that for the FY 2018 audit and beyond, the transition to FISCAL had a major impact on all of California's large agencies, and they were all late in submitting their information for single state audit requirement. According to CSAO, FISCAL had a learning curve that impacted agencies. CSAO also noted that CDE was entering information in FISCAL and its legacy system simultaneously and that timeliness improved dramatically once CDE moved to only using FISCAL. CSAO cautioned that succession planning will be important for CDE, as they have key staff who may be retiring, but that otherwise, CDE seems to be doing everything within its ability to meet timelines for its Single Audit.

Although CSAO has been given the responsibility of performing and submitting the State of California's annual Single Audit, it nevertheless is the responsibility of CDE as a recipient of Federal grants to have its annual audit reports performed in a timely manner and in accordance of 2 C.F.R. 200.

REQUIRED ACTION

Within 60 business days of receiving this report, CDE must provide a corrective action plan to increase its coordination with CSAO in forming achievable internal deadlines to have the Single Audit completed on time.

Met Requirements with Recommendation

ESSER PROGRAM FISCAL AND PROGRAM REQUIREMENT DOMAINS – COMPREHENSIVE MONITORING

PROCUREMENT

REQUIREMENT SUMMARY

2 C.F.R. 200.214: Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180.

2 C.F.R. Appendix II to Part 200: Debarment and Suspension (Executive Orders 12549 and 12689) - A contract award...must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM) in accordance with the OMB guidelines at 2 CFR 180...SAM Exclusions contain the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

2 C.F.R. 200.303: An SEA and its LEAs must establish and maintain a system of effective internal controls over Federal awards that provides reasonable assurance that the SEA is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards. These internal controls should be in accordance with guidance stated in the "Standards of Internal Control in the Federal Government" (GAO Green Book) or the "Internal Controls Integrated Framework" (Treadway Commission).

ISSUE

The California Department of Education has yet to update its policies and procedures for checking the status of its vendors for suspension and debarment after adopting and migrating to the Fiscal Information System for California (FISCAL) in 2018. The "Excluded Parties List System (EPLS) Procedures: AKA Federal Debarred Policies" document CDE sent the Department was last updated on March 13, 2013. Out of date policies and procedures can lead to employees not checking for suspension and debarment, not checking correctly, or otherwise not acting in accordance with Federal requirements.

CDE did inform the Department that it also requires recipients of Federal funds to self-certify that fund recipients are not suspended or debarred, which is one of the acceptable methods for determining that recipient of Federal funds are eligible to receive them.

RECOMMENDATION

Because CDE informed us that it also requires self-certification that fund recipients are not suspended or debarred and that CDE's check of SAM.gov is not the only method it uses, the Department is designated this issue as a recommendation rather than an "Action Required" item. However, the Department does recommend that CDE update its policies and procedures to reflect its current accounting system.